

## Message Text

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ACTION EUR-12

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INFO USMISSION EC BRUSSELS

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AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

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USDEL MTN GENEVA

UNCLAS COPENHAGEN 3804

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, EFIN, DA

SUBJECT: INITIAL DANISH REACTIONS TO EC COMMISSION

FARM PRICE PROPOSALS

1. SUMMARY: DANISH GOVERNMENT HAS NOT YET DETERMINED ITS POSITION ON PROPOSALS IN GENERAL BUT HAS EXPRESSED SATISFACTION WITH PROPOSAL TO REDUCE MONETARY COMPENSATORY AMOUNTS. FARM SECTOR CONSENSUS IS THAT GAINS FOR DANISH AGRICULTURE WILL BE SMALL IF PROPOSALS ADOPTED BECAUSE (A) MARKET PRICES FOR PIG-MEAT ARE CONSIDERABLY HIGHER THAN  
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INCREASED BASIS PRICE; (B) COMPULSORY USE OF NFDM IN FEED

MIXES WOULD INCREASE COST OF HOG AND POULTRY FEEDS BURDEN OTHER PRODUCTION SECTORS; AND (C) SUSPENSION OF NFDM INTERVENTION PRICE WOULD WEAKEN BASIC STRUCTURE IN DAIRY SECTOR.  
POULTRY SECTOR INTENDS TO PROTEST COMPULSORY NFDM MIXING. DAIRY SECTOR GENERALLY NEGATIVE TO DAIRY PROPOSALS, EXCEPT THOSE PERTAINING TO NFDM AND LIQUID SKIM MILK DISPOSAL, AND POINT OUT THAT SUBSIDY TO IMPLEMENT LATTER MUST BE SUFFICIENTLY LARGE TO MAKE INCREASED FEEDING ATTRACTIVE IN RELATION TO SOYBEAN PROTEIN PRICES. END SUMMARY.

2. DANISH MINISTER OF AGRICULTURE HAS REFUSED TO COMMENT ON COMMISSION'S PRICE PROPOSALS, STATING THAT GOVERNMENT POSITION HAS NOT YET BEEN DETERMINED (PARLIAMENT'S MARKETING COMMITTEE DETERMINES THE MANDATE FOR THE MINISTER'S NEGOTIATIONS). HE HAS, HOWEVER, EXPRESSED SATISFACTION WITH THE PROPOSAL TO REDUCE THE MONETARY COMPENSATORY AMOUNTS RELATED TO THE REVALUED CURRENCIES.

3. THE POULTRY SECTOR HAS COME UP WITH THE SHARPEST REACTION TO THE NFDM MIXING PROPOSAL, PUBLICLY AFFIRMING ITS INTENTION TO PROTEST IT STRONGLY. APART FROM THE INCREASED FEED COSTS (ESTIMATED AT 4 KRONER/100 KILOS), IT CAN SEE NO REASON TO AID THE DAIRY SECTOR IN DISPOSING OF ITS SURPLUSES, PARTICULARLY IN VIEW OF THE LATTER'S NON-SOLIDARITY WITH POULTRY PRODUCERS IN THE PAST.

4. THE DAIRY SECTOR ANTICIPATES A NEGATIVE REACTION FROM EC MILK PRODUCERS TO THE DAIRY PRICE PROPOSALS AND COMMENTS THAT THE INTENTION IS OBVIOUSLY TO MAKE PRODUCERS MORE FINANCIALLY RESPONSIBLE FOR PRODUCTION. THIS SECTOR IS HIGHLY CONCERNED REGARDING THE PROPOSAL TO SUSPEND THE INTERVENTION PRICE OF NFDM, WHICH NOT ONLY IS A BASIC CHANGE IN THE DAIRY CAP (AND A BREACH OF IT) BUT COULD ALSO HAVE THE EFFECT OF STIMULATING CHEESE PRODUCTION AND THEREBY WEAKENING THE MARKET. THIS SECTOR IS, HOWEVER, GENERALLY PLEASED WITH THE PROPOSAL TO STIMULATE INCREASED FEEDING OF LIQUID SKIMMILK BUT STATES THAT THE INCREASE IN THE SUBSIDY MUST BE SUFFICIENTLY LARGE IN RELATION TO SOYBEAN PROTEIN PRICES TO ENCOURAGE INCREASED SKIMMILK FEEDING. THE PREMIUMS FOR WITHHOLDING MILK FROM THE MARKET ARE CONSIDERED BENEFICIAL IN AIDING DAIRY STRUCTURAL UNCLASSIFIED

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IMPROVEMENT IN OTHER EC COUNTRIES (THERE WOULD BE LITTLE APPLICATION OF THE SCHEME IN DENMARK), AND SHOULD BE SUPPORTED BY DENMARK.

5. COMMENT: THE FARM SECTORS IN DENMARK ARE DIVIDED IN THEIR ATTITUDE TOWARD THE NFDM MIXING SCHEME, BUT OVERALL THEY CAN BE EXPECTED TO OPPOSE IT UNLESS SUBSIDIES ARE INCREASED TO A LEVEL THAT WOULD AVOID ADDITIONAL FEEDING COSTS. THE

PULTRY SECTOR PARTICULARLY HAS BEEN BADLY HURT BY HIGH FEED COSTS AND HAS ONLY RECENTLY BEGUN TO ACHIEVE SOUND ECONOMIC PRODUCTION. ALONG WITH FEED COMPOUNDERS, POULTRY INDUSTRY WILL UNDOUBTEDLY BE MOST OPPOSED TO THE SCHEME.

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